

Tripoli Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

Table of Contents

Officials		<u>Page</u>
		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet-Governmental		
Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in		
Fund Balances	E	17
Reconciliation of the Statement of Revenues,		
Expenditures and Changes in Fund Balances-		
Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in		
Fund Net Assets	H	20
Statement of Cash Flows-School Nutrition Fund	I	21
Statement of Cash Flows-Before & After School	J	22
Fiduciary Fund Financial Statements:		
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Financial Statements		24-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements		
And Changes in Balances-Budget and Actual-All		
Governmental Funds and Proprietary Funds		33
Notes to Required Supplementary Information-		
Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Non-major Special Revenue Funds:		
Combining Balance Sheet	1	35
Combining Schedule of Revenues, Expenditures and Changes		
In Fund Balances	2	36
Schedule of Changes in Special Revenue Fund-Student		
Activity Accounts	3	37
Schedule of Revenues by Source and Expenditures by Function-		
All Governmental Funds	4	38
Independent Auditor's Report on Compliance and on Internal		
 Control over Financial Reporting		39-40
Schedule of Findings		41-43

Tripoli Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2003 Election)

Randy Neuendorf	President	2005
Kevin Fisher	Vice President	2005
Kathy Fink	Board Member	2004
Pat Finder	Board Member	2004
Loren Liddle	Board Member	2003

Board of Education

(After September 2003 Election)

Randy Neuendorf	President	2005
Kevin Fisher	Vice President	2005
Kathy Fink	Board Member	2004
Pat Finder	Board Member	2004
Scott Danner	Board Member	2006

School Officials

Janet Ireland	Superintendent	* 2004
Jocelyn Moeller	District Secretary/Treasurer	2004

* Retired 6-30-04

Independent Auditor's Report

To the Board of Education of
Tripoli Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District, Tripoli, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Tripoli Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated July 14, 2004 on my consideration of Tripoli Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tripoli Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith Oltrogge
Certified Public Accountant

July 14, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tripoli Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,467,703 in fiscal 2003 to \$3,587,261 in fiscal 2004, while General Fund expenditures increased from \$3,274,979 in fiscal 2003 to \$3,310,826 in fiscal 2004. The District's General Fund balance increased from \$259,030 in fiscal year 2003 to \$535,465 in fiscal year 2004, a 207% increase.
- The increase in General Fund revenues was attributable to a increase in property tax and state and federal grant revenue in fiscal year 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tripoli Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tripoli Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tripoli Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tripoli Community School District Annual Financial Report

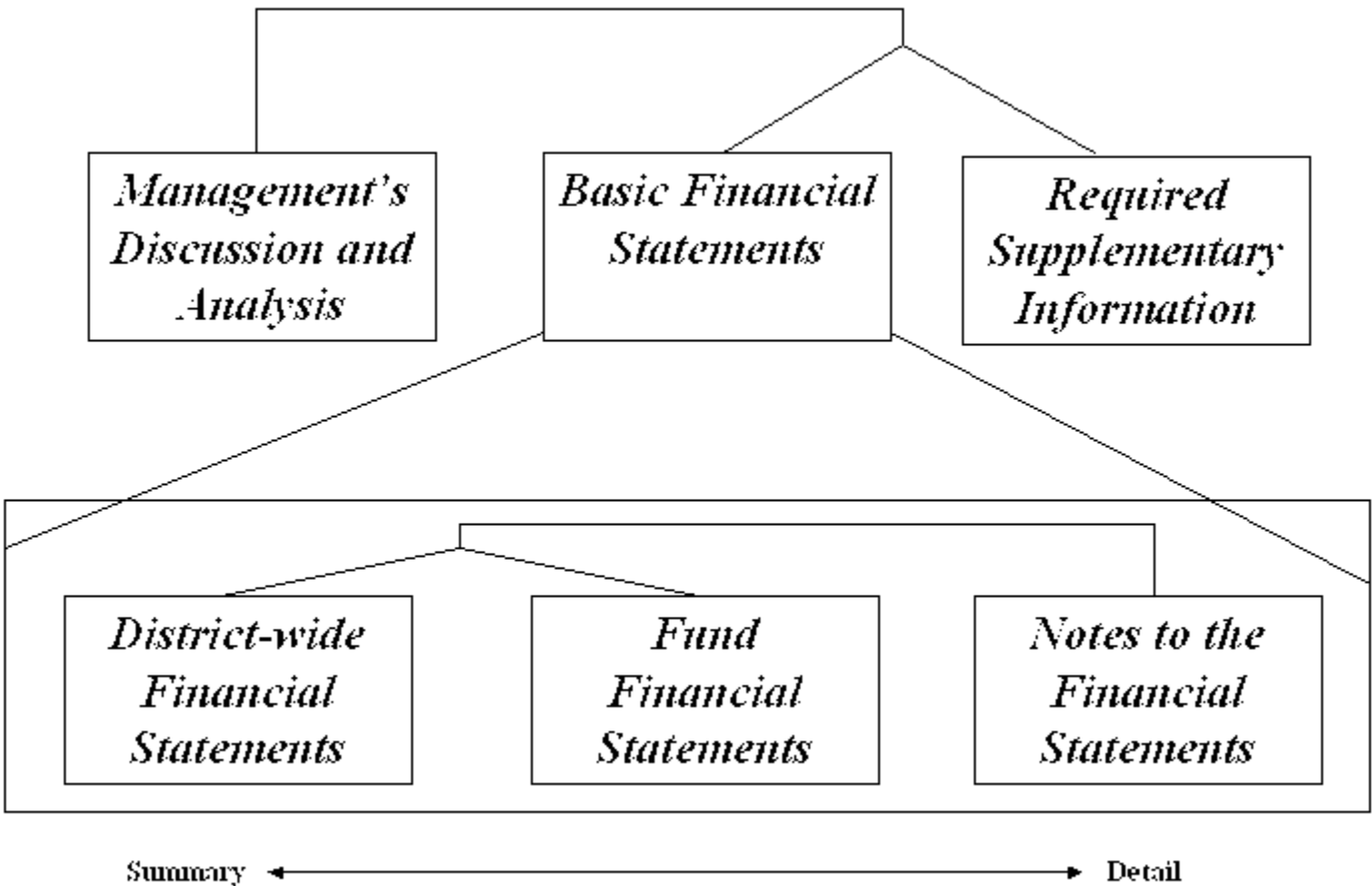


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Before and After School Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for playground equipment in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$2,645,793	\$2,515,471	\$78,565	\$59,346	\$2,724,358	\$2,574,817	5.8%
Capital assets	4,606,007	4,595,686	24,003	26,288	4,630,010	4,621,974	.2%
Total assets	\$7,251,800	\$7,111,157	\$102,568	\$85,634	\$7,354,368	\$7,196,791	2.2%
Long-term liabilities	\$665,533	\$701,449	\$-	\$-	\$665,533	\$701,449	-5.1%
Other liabilities	2,000,646	2,086,845	8,113	3,157	2,008,759	2,090,002	-3.9%
Total liabilities	\$2,666,179	\$2,788,294	\$8,113	\$3,157	\$2,674,292	\$2,791,451	-4.2%
Net assets:							
Invested in capital assets, net of related debt	\$4,606,007	\$4,595,686	\$24,003	\$26,288	\$4,630,010	\$4,621,974	0.2%
Restricted	112,695	76,672	-	-	112,695	76,672	47.0%
Unrestricted	-133,081	-349,495	70,452	56,189	-62,629	-293,306	78.6%
Total net assets	\$4,585,621	\$4,322,863	\$94,455	\$82,477	\$4,680,076	\$4,405,340	6.2%

The District's combined net assets increased by nearly .2%, or \$8,036, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$36,023, or 47% over the prior year. The increase was primarily a result of an increase in other general fund reserved assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$230,677, or 78.6%.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$292,606	\$116,031	\$408,637
Operating grants, contributions and restricted interest	400,455	69,100	469,555
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,637,469	-	1,637,469
Unrestricted state grants	1,678,400	-	1,678,400
Unrestricted investment earnings	29,250	426	29,676
Other	32,248	-	32,248
Total revenues	\$4,070,428	\$185,557	\$4,255,985
Program expenses:			
Governmental activities:			
Instruction	\$2,726,623	\$-	\$2,726,623
Support services	915,725	-	915,725
Non-instructional programs	-	173,579	173,579
Other expenses	165,322	-	165,322
Total expenses	\$3,807,670	\$173,579	\$3,981,249
Change in net assets	\$262,758	\$11,978	\$274,736

Property tax and unrestricted state grants account for 81.5% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 95.7% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,070,428 and expenses were \$3,807,670. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$2,726,623	\$2,175,384
Support services	915,725	915,450
Non-instructional programs	-	-
Other expenses	165,322	23,775
Totals	\$3,807,670	\$3,114,609

- The cost financed by users of the District's programs was \$292,606.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$400,455.
- The net cost of governmental activities was financed with \$1,637,469 in property and other taxes and \$1,678,400 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$185,557 and expenses were \$173,579. The District's business type activities include the School Nutrition Fund and Before and After School Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Tripoli Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$646,591, well above last year's ending fund balances of \$430,905.

BUDGETARY HIGHLIGHTS

The District's receipts were \$4,234 more than budgeted receipts, a variance of .1%.

The Districts total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$4,630,010, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of .2% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$194,362.

The original cost of the District's capital assets was \$7,505,818. Governmental funds account for \$7,461,837, with the remainder of \$43,981 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$33,500	\$33,500	\$-	\$-	\$33,500	\$33,500	0.0%
Buildings	4,291,123	4,312,429	-	-	4,291,123	4,312,429	-0.5%
Improvements other than buildings	115,334	98,378	-	-	115,334	98,378	17.2%
Furniture and equipment	166,050	151,379	24,003	26,288	190,053	177,667	7.0%
Totals	\$4,606,007	\$4,595,686	\$24,003	\$26,288	\$4,630,010	\$4,621,974	0.2%

Long-Term Debt

At June 30, 2004, the District had \$665,533 in other long-term debt outstanding. This represents a decrease of 5.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District June 30, 2004	Total Change June 30, 2003	Total Change June 30, 2003-2004
Capital lease	\$-	\$11,211	100.0%
Notes payable	362,344	425,890	-14.9%
Early retirement	303,189	264,124	14.8%
Totals	\$665,533	\$701,225	-5.1%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jocelyn Moeller, District Secretary/Treasurer, Tripoli Community School District, 209 8th Avenue SW, Tripoli IA 50676.

Basic Financial Statements

Tripoli Community School District

Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Restricted	\$ 500,000	\$ -	\$ 500,000
Other	596,783	63,430	660,213
Receivables:			
Property tax:			
Delinquent	9,391	-	9,391
Succeeding year	1,457,262	-	1,457,262
Accounts	14,860	505	15,365
Prepaid expenses	35,825	-	35,825
Due from other funds	5,886	-	5,886
Due from other governments	25,786	-	25,786
Inventories	-	14,630	14,630
Capital assets, net of accumulated depreciation	4,606,007	24,003	4,630,010
Total Assets	\$ 7,251,800	\$ 102,568	\$ 7,354,368
Liabilities			
Excess of warrants issued over bank balance	\$ 22,208	\$ -	\$ 22,208
Accounts payable	12,229	109	12,338
Early retirement	7,503	-	7,503
Due to other funds	-	5,886	5,886
Accrued interest payable	1,444	-	1,444
Deferred revenue-succeeding year property tax	1,457,262	-	1,457,262
Other	-	2,118	2,118
Bank warrants payable	500,000	-	500,000
Long-term liabilities:			
Portion due within one year:			
Notes payable	65,861	-	65,861
Early retirement	66,065	-	66,065
Portion due after one year:			
Notes payable	296,483	-	296,483
Early retirement	237,124	-	237,124
Total Liabilities	\$ 2,666,179	\$ 8,113	\$ 2,674,292
Net Assets			
Invested in capital assets, net of related debt	\$ 4,606,007	\$ 24,003	\$ 4,630,010
Restricted for:			
Other special revenue purposes	112,695	-	112,695
Unrestricted	-133,081	70,452	-62,629
Total Net Assets	\$ 4,585,621	\$ 94,455	\$ 4,680,076

See notes to financial statements.

Tripoli Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,943,199	\$ 141,758	\$ 178,899	\$ -
Special instruction	487,491	-	70,555	-
Other instruction	295,933	150,573	9,454	-
	<u>\$ 2,726,623</u>	<u>\$ 292,331</u>	<u>\$ 258,908</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 68,474	\$ -	\$ -	\$ -
Instructional staff services	125,457	-	-	-
Administration services	360,456	-	-	-
Operation and maintenance of plant services	253,847	275	-	-
Transportation services	107,491	-	-	-
	<u>\$ 915,725</u>	<u>\$ 275</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 5,228	\$ -	\$ -	\$ -
Long-term debt interest	18,547	-	-	-
AEA flow-through	141,547	-	141,547	-
	<u>\$ 165,322</u>	<u>\$ -</u>	<u>\$ 141,547</u>	<u>\$ -</u>
 Total Governmental Activities	 <u>\$ 3,807,670</u>	 <u>\$ 292,606</u>	 <u>\$ 400,455</u>	 <u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 166,055	\$ 108,129	\$ 69,100	\$ -
Child care operations	7,524	7,902	-	-
	<u>\$ 173,579</u>	<u>\$ 116,031</u>	<u>\$ 69,100</u>	<u>\$ -</u>
 Total	 <u><u>\$ 3,981,249</u></u>	 <u><u>\$ 408,637</u></u>	 <u><u>\$ 469,555</u></u>	 <u><u>\$ -</u></u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,622,542	\$	-	\$ -1,622,542
	-416,936		-	-416,936
	-135,906		-	-135,906
\$	-2,175,384	\$	-	\$ -2,175,384
\$	-68,474	\$	-	\$ -68,474
	-125,457		-	-125,457
	-360,456		-	-360,456
	-253,572		-	-253,572
	-107,491		-	-107,491
\$	-915,450	\$	-	\$ -915,450
\$	-5,228	\$	-	\$ -5,228
	-18,547		-	-18,547
	-		-	-
\$	-23,775	\$	-	\$ -23,775
\$	-3,114,609	\$	-	\$ -3,114,609
\$	-	\$	11,174	\$ 11,174
	-		378	378
\$	-	\$	11,552	\$ 11,552
\$	-3,114,609	\$	11,552	\$ -3,103,057

Tripoli Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net assets			
Net assets beginning of year, as restated			
 Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	1,464,682	\$	-	\$ 1,464,682
	172,787		-	172,787
	1,678,400		-	1,678,400
	29,250		426	29,676
	32,248		-	32,248
\$	3,377,367	\$	426	\$ 3,377,793
\$	262,758	\$	11,978	\$ 274,736
	4,322,863		82,477	4,405,340
\$	4,585,621	\$	94,455	\$ 4,680,076

Tripoli Community School District

Balance Sheet
Governmental Funds

June 30, 2004

	General	Non-major Special Revenue	Total
Assets			
Cash and Pooled Investments:			
Restricted	\$ 500,000	\$ -	\$ 500,000
Other	456,247	140,536	596,783
Receivables:			
Property Tax:			
Delinquent	7,537	1,854	9,391
Succeeding year	1,110,771	346,491	1,457,262
Accounts	14,860	-	14,860
Prepaid expenses	35,825	-	35,825
Due from other funds	5,886	-	5,886
Due from other governments	25,786	-	25,786
Total Assets	\$ 2,156,912	\$ 488,881	\$ 2,645,793
Liabilities and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	\$ 22,208	\$ 22,208
Accounts payable	10,676	1,553	12,229
Early retirement	-	7,503	7,503
Bank warrants payable	500,000	-	500,000
Deferred Revenue:			
Succeeding year property tax	1,110,771	346,491	1,457,262
Total Liabilities	\$ 1,621,447	\$ 377,755	\$ 1,999,202
Fund Balances:			
Reserved	\$ 112,695	\$ -	\$ 112,695
Unreserved	422,770	111,126	533,896
Total Fund Balances	\$ 535,465	\$ 111,126	\$ 646,591
Total Liabilities and Fund Balances	\$ 2,156,912	\$ 488,881	\$ 2,645,793

See notes to financial statements.

Tripoli Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 15)	\$ 646,591
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	4,606,007
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-1,444
Long-term liabilities, including notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-665,533</u>
Net assets of governmental activities (page 12)	<u>\$ 4,585,621</u>

Tripoli Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2004

	General	Non-Major Special Revenue	Total
Revenues:			
Local Sources:			
Local tax	\$ 1,338,607	\$ 298,862	\$ 1,637,469
Tuition	57,704	-	57,704
Other	112,095	156,869	268,964
Intermediate sources	-	-	-
State sources	1,938,984	-	1,938,984
Federal sources	139,871	-	139,871
Total Revenues	\$ 3,587,261	\$ 455,731	\$ 4,042,992
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 1,692,152	\$ 99,023	\$ 1,791,175
Special instruction	487,491	-	487,491
Other instruction	141,488	176,447	317,935
	\$ 2,321,131	\$ 275,470	\$ 2,596,601
Support Services:			
Student services	\$ 68,474	\$ -	\$ 68,474
Instructional staff services	125,457	-	125,457
Administration services	360,456	-	360,456
Operation and maintenance of plant services	209,549	43,884	253,433
Transportation services	84,212	10,500	94,712
	\$ 848,148	\$ 54,384	\$ 902,532
Other Expenditures:			
Facilities acquisition	\$ -	\$ 119,923	\$ 119,923
Long-Term Debt:			
Principal	-	74,757	74,757
Interest and fiscal charges	-	19,382	19,382
AEA flow-through	141,547	-	141,547
	\$ 141,547	\$ 214,062	\$ 355,609
Total Expenditures	\$ 3,310,826	\$ 543,916	\$ 3,854,742
Excess (deficiency) of revenues over (under) expenditures	\$ 276,435	\$ -88,185	\$ 188,250
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ 121,575	\$ 121,575
Operating transfers out	-	-94,139	-94,139
Total Other Financing Sources (Uses)	\$ -	\$ 27,436	\$ 27,436
Net change in fund balances	\$ 276,435	\$ -60,749	\$ 215,686
Fund balances beginning of year, as restated (Note 12)	259,030	171,875	430,905
Fund Balances End of Year	\$ 535,465	\$ 111,126	\$ 646,591

See notes to financial statements.

Tripoli Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 17) \$ 215,686

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 202,622	
Depreciation expense	<u>-192,077</u>	10,545

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid		74,757
--------	--	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

835

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 86,662	
New retirement	<u>-125,727</u>	-39,065

Change in Net Assets of Governmental Activities (page 14) \$ 262,758

Tripoli Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Before & After School	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ 1,638	\$ 61,792	\$ 63,430
Accounts receivable	34	471	505
Inventories	-	14,630	14,630
Capital assets, net of accumulated depreciation	-	24,003	24,003
Total Assets	\$ 1,672	\$ 100,896	\$ 102,568
Liabilities			
Accounts payable	\$ -	\$ 109	\$ 109
Due to other funds	1,000	4,886	5,886
Deferred revenue	-	2,118	2,118
Total Liabilities	\$ 1,000	\$ 7,113	\$ 8,113
Net Assets			
Invested in capital assets, net of related debt	\$ -	\$ 24,003	\$ 24,003
Unrestricted	672	69,780	70,452
Total Net Assets	\$ 672	\$ 93,783	\$ 94,455

Tripoli Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2004

	Before & After School	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 7,902	\$ 108,129	\$ 116,031
Operating expenses:			
Non-instructional programs:			
Food service and child care operations:			
Salaries and benefits	\$ 7,450	\$ 76,945	\$ 84,395
Purchased services	-	3,946	3,946
Supplies	74	82,734	82,808
Depreciation	-	2,285	2,285
Other	-	145	145
Total operating expenses	\$ 7,524	\$ 166,055	\$ 173,579
Operating income (loss)	\$ 378	\$ -57,926	\$ -57,548
Non-operating revenues:			
State sources	\$ -	\$ 2,752	\$ 2,752
Federal sources	-	66,348	66,348
Interest income	-	426	426
Total non-operating revenues	\$ -	\$ 69,526	\$ 69,526
Change in net assets	\$ 378	\$ 11,600	\$ 11,978
Net assets beginning of year	294	82,183	82,477
Net Assets End of Year	\$ 672	\$ 93,783	\$ 94,455

See notes to financial statements.

Tripoli Community School District

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 109,210
Cash paid to employees for services	-72,059
Cash paid to suppliers for goods or services	-70,867
Net cash used by operating activities	<u>\$ -33,716</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,752
Federal grants received	50,805
Net cash provided by non-capital financing activities	<u>\$ 53,557</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 426</u>
Net increase in cash and cash equivalents	\$ 20,267
Cash and cash equivalents beginning of year	<u>41,525</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 61,792</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -57,926
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,933
Depreciation	2,285
(Increase) in inventories	-9,948
(Increase) in accounts receivable	-16
Increase in accounts payable	57
Increase in due to other funds	3,706
Increase in deferred revenue	<u>1,193</u>
Net Cash Used by Operating Activities	<u><u>\$ -33,716</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$15,542 of federal commodities.

Tripoli Community School District

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2004

	Before & After School
Cash flows from operating activities:	
Cash received from services	\$ 7,868
Cash paid to employees for services	-7,450
Cash paid to suppliers for goods or services	-74
Net cash provided by operating activities	<u>\$ 344</u>
Net increase in cash and cash equivalents	\$ 344
Cash and cash equivalents beginning of year	<u>1,294</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,638</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 378
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	<u>-34</u>
Net Cash Provided by Operating Activities	<u><u>\$ 344</u></u>

See notes to financial statements.

Tripoli Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004

	Private Purpose Trust Playground
Additions:	
Local sources:	
Gifts and contributions	\$ 15,250
Interest income	249
Total additions	<u>\$ 15,499</u>
Deductions	<u>\$ -</u>
Excess of additions over deductions	\$ 15,499
Other financing sources (uses):	
Operating transfer out	<u>-27,436</u>
Change in net assets	\$ -11,937
Net assets beginning of year	<u>11,937</u>
Net Assets End of Year	<u>\$ -</u>

Tripoli Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Tripoli Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Tripoli and Frederika, Iowa and portions of the predominately agricultural territories in Bremer and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tripoli Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Tripoli Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Before and After School Fund. These funds are used to account for the food service operations of the District and child care operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for playground equipment.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 4,886
General Fund	Before & After School	1,000
		<u>\$ 5,886</u>

The Nutrition Fund and Before & After School both owe the General Fund for salaries. The balance will be repaid.

(4) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Activity	Fiduciary Fund: Playground Trust Fund	\$ 27,436
Debt Service	Special Revenue: Physical Plant and Equipment Levy	94,139
		<u>\$ 121,575</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Bank Anticipatory Warrants

The District has entered into an agreement with American Savings Bank for the issuance of anticipatory warrants of \$500,000 with an interest rate of 3.00%. Activity for the year ended June 30, 2004 is as follows:

	Balance Beginning Of Year	Advances Received	Advances Repaid	Balance End of Year
Total	\$500,000	\$-	\$-	\$500,000

Cash advanced under these warrants are held in a money management savings account. These funds are only used if the District's regular cash flow is inadequate to meet current needs.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 12)	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 33,500	\$ -	\$ -	\$ 33,500
Total capital assets not being depreciated	\$ 33,500	\$ -	\$ -	\$ 33,500
Capital assets being depreciated:				
Buildings	\$ 6,473,242	\$ 114,695	\$ -	\$ 6,587,937
Improvements other than buildings	241,263	27,185	-	268,448
Furniture and equipment	562,901	60,742	51,691	571,952
Total capital assets being depreciated	\$ 7,277,406	\$ 202,622	\$ 51,691	\$ 7,428,337
Less accumulated depreciation for:				
Buildings	\$ 2,160,813	\$ 136,001	\$ -	\$ 2,296,814
Improvements other than buildings	142,885	10,229	-	153,114
Furniture and equipment	411,522	45,847	51,467	405,902
Total accumulated depreciation	\$ 2,715,220	\$ 192,077	\$ 51,467	\$ 2,855,830
Total capital assets being depreciated, net	\$ 4,562,186	\$ 10,545	\$ 224	\$ 4,572,507
Governmental Activities Capital Assets, Net	\$ 4,595,686	\$ 10,545	\$ 224	\$ 4,606,007
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 43,981	\$ -	\$ -	\$ 43,981
Less accumulated depreciation	17,693	2,285	-	19,978
Business Type Activities Capital Assets, Net	\$ 26,288	\$ -2,285	\$ -	\$ 24,003
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 157,811
Special				-
Other				7,073
Support services:				
Instructional staff				-
Administration				-
Operation and maintenance of plant				3,914
Transportation				23,279
				\$ 192,077
Unallocated				-
Total Depreciation Expense – Governmental Activities				\$ 192,077
Business Type Activities:				
Food service operations				\$ 2,285

(7) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Capital lease	\$ 11,211	\$ -	\$ 11,211	\$ -	\$ -
Notes payable	425,890	-	63,546	362,344	65,861
Early retirement	264,124	125,727	86,662	303,189	66,056
Total	\$ 701,225	\$ 125,727	\$ 161,419	\$ 665,533	\$ 131,917

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2004 totaled \$112,686. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liabilities section representing the District's commitment to fund non-current early retirement.

Note Payable – Media Center

On September 1, 1998, the District signed a note payable to American Savings Bank of Tripoli IA for the construction of a media center. The note was written for \$650,000. Interest only was paid on June 1, 1999. The interest rate on the note is 4.75%. Semi-annual payments will be \$41,204.90 and will be payable on December 1 and June 1 of each year, with the note maturing on June 1, 2009.

Details of the District's June 30, 2004 note payable – media center are as follows:

Payment Date	Principal	Interest
12-01-04	\$ 31,806	\$ 8,665
06-01-05	33,321	7,884
12-01-05	34,120	7,085
06-01-06	34,939	6,266
12-01-06	35,777	5,428
06-01-07	36,635	4,570
12-01-07	37,513	3,691
06-01-08	38,413	2,792
12-01-08	39,335	1,870
06-01-09	40,485	927
Total	\$ 362,344	\$ 49,178

During the year ended June 30, 2004, the District made principal and interest payments totaling \$94,139 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$108,101, \$106,906 and \$107,292, respectively, equal to the required contributions for each year.

(9) Risk Management

Tripoli Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$141,547 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The Special Revenue – Management Fund had a deficit balance of \$28,922 at June 30, 2004. The deficit balance was a result of early retirement expenditures incurred prior to receiving funds. The deficit will be eliminated in the next year with property tax receipts under the management levy.

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 259,030	\$ 171,875	\$ 430,905
GASB Interpretation 6 adjustments	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	<u>\$ 259,030</u>	<u>\$ 171,875</u>	<u>\$ 430,905</u>
GASB 34 Adjustments:			
Capital assets, net of accumulated depreciation of \$2,715,220			4,595,686
Long-Term Liabilities:			
Bonds and notes		\$ 437,325	
Early retirement		<u>264,124</u>	-701,449
Accrued interest payable			<u>-2,279</u>
Net Assets July 1, 2003, as Restated			<u>\$ 4,322,863</u>

Required Supplementary Information

Tripoli Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 1,964,137	\$ 116,457
Intermediate sources	-	-
State sources	1,938,984	2,752
Federal sources	139,871	66,348
Total Receipts	<u>\$ 4,042,992</u>	<u>\$ 185,557</u>
Disbursements:		
Instruction	\$ 2,596,601	\$ -
Support services	902,532	-
Non-instructional programs	-	173,579
Other expenditures	355,609	-
Total Disbursements	<u>\$ 3,854,742</u>	<u>\$ 173,579</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 188,250	\$ 11,978
Other financing sources, net	<u>27,436</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 215,686	\$ 11,978
Balances beginning of year	<u>430,905</u>	<u>82,477</u>
Balances End of Year	<u><u>\$ 646,591</u></u>	<u><u>\$ 94,455</u></u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts Original		Final To Actual Variance
\$	2,080,594	\$	2,054,878	\$	25,716
	-		-		-
	1,941,736		2,013,437		-71,701
	206,219		156,000		50,219
\$	4,228,549	\$	4,224,315	\$	4,234
\$	2,596,601	\$	2,902,556	\$	305,955
	902,532		972,666		70,134
	173,579		244,285		70,706
	355,609		396,157		40,548
\$	4,028,321	\$	4,515,664	\$	487,343
\$	200,228	\$	-291,349	\$	491,577
	27,436		-		27,436
\$	227,664	\$	-291,349	\$	519,013
	513,382		472,598		40,784
\$	741,046	\$	181,249	\$	559,797

Tripoli Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

Tripoli Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ -	\$ 64,857	\$ 75,679	\$ 140,536
Receivables:				
Property Tax:				
Delinquent	789	-	1,065	1,854
Succeeding year	192,000	-	154,491	346,491
Total Assets	\$ 192,789	\$ 64,857	\$ 231,235	\$ 488,881
Liabilities & Fund Equity				
Liabilities:				
Excess of warrants issued over bank balance	\$ 22,208	\$ -	\$ -	\$ 22,208
Accounts payable	-	1,299	254	1,553
Early retirement	7,503	-	-	7,503
Deferred revenue:				
Succeeding year property tax	192,000	-	154,491	346,491
Total Liabilities	\$ 221,711	\$ 1,299	\$ 154,745	\$ 377,755
Fund Equity:				
Unreserved fund balances	-28,922	63,558	76,490	111,126
Total Liabilities and Fund Equity	\$ 192,789	\$ 64,857	\$ 231,235	\$ 488,881

See accompanying independent auditor's report.

Tripoli Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local Sources:					
Local tax	\$ 126,075	\$ -	\$ 172,787	\$ -	\$ 298,862
Other	1,437	151,043	4,389	-	156,869
Total Revenues	<u>\$ 127,512</u>	<u>\$ 151,043</u>	<u>\$ 177,176</u>	<u>\$ -</u>	<u>\$ 455,731</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 99,023	\$ -	\$ -	\$ -	\$ 99,023
Other instruction	-	176,447	-	-	176,447
Support Services:					
Operation and maintenance of plant services	43,884	-	-	-	43,884
Transportation services	-	-	10,500	-	10,500
Other Expenditures:					
Facilities acquisition	-	-	119,923	-	119,923
Long-Term Debt:					
Principal	-	-	-	74,757	74,757
Interest and fiscal charges	-	-	-	19,382	19,382
Total Expenditures	<u>\$ 142,907</u>	<u>\$ 176,447</u>	<u>\$ 130,423</u>	<u>\$ 94,139</u>	<u>\$ 543,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -15,395</u>	<u>\$ -25,404</u>	<u>\$ 46,753</u>	<u>\$ -94,139</u>	<u>\$ -88,185</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ 27,436	\$ -	\$ 94,139	\$ 121,575
Operating transfers out	-	-	-94,139	-	-94,139
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 27,436</u>	<u>\$ -94,139</u>	<u>\$ 94,139</u>	<u>\$ 27,436</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -15,395</u>	<u>\$ 2,032</u>	<u>\$ -47,386</u>	<u>\$ -</u>	<u>\$ -60,749</u>
Fund balances beginning of year, as restated	<u>-13,527</u>	<u>61,526</u>	<u>123,876</u>	<u>-</u>	<u>171,875</u>
Fund Balances End of Year	<u><u>\$ -28,922</u></u>	<u><u>\$ 63,558</u></u>	<u><u>\$ 76,490</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 111,126</u></u>

See accompanying independent auditor's report.

Tripoli Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 17,729	\$ 53,135	\$ 50,224	\$ -	\$ 20,640
Resale	3,478	3,809	4,519	-	2,768
Clubs	2,938	-	251	-	2,687
Other students	10,572	13,729	16,941	-	7,360
Elementary	20,597	75,342	72,348	-	23,591
Fine Arts	4,461	8,204	7,364	-	5,301
Grades	6,105	10,465	8,639	-	7,931
Publications	-7,556	6,412	7,713	-	-8,857
Interest	3,280	470	1,715	-	2,035
Memorials	40	-	-	-	40
Publishing	-118	10	202	-	-310
Miscellaneous	-	6,903	6,531	-	372
Total	\$ 61,526	\$ 178,479	\$ 176,447	\$ -	\$ 63,558

Tripoli Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 1,637,469	\$ 1,631,760	\$ 1,506,582
Tuition	57,704	124,174	121,071
Other	268,964	223,548	177,337
Intermediate sources	-	-	-
State sources	1,938,984	1,840,807	1,872,403
Federal sources	139,871	118,923	67,395
Total	<u>\$ 4,042,992</u>	<u>\$ 3,939,212</u>	<u>\$ 3,744,788</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 1,791,175	\$ 1,677,687	\$ 1,594,805
Special instruction	487,491	463,049	448,020
Other instruction	317,935	361,359	321,557
Support services:			
Student services	68,474	88,694	51,308
Instructional staff services	125,457	124,449	114,805
Administrative services	360,456	380,100	338,639
Operation and maintenance of plant services	253,433	270,779	225,643
Transportation services	94,712	116,609	59,746
Central support services	-	-	18,137
Other support services	-	-	6,793
Other expenditures:			
Facilities acquisition	119,923	-	92,356
Long-term debt:			
Principal	74,756	70,138	66,763
Interest and other charges	19,383	24,060	27,435
AEA flow-through	141,547	144,045	145,284
Total	<u>\$ 3,854,742</u>	<u>\$ 3,720,969</u>	<u>\$ 3,511,291</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Tripoli Community School District:

I have audited the financial statements of Tripoli Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated July 14, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Tripoli Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved, except for items II-G-04, II-K-04, and II-L-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Tripoli Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tripoli Community School District and other parties to whom Tripoli Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Tripoli Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge
Certified Public Accountant

July 14, 2004

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2004

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2004

Part II - Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.

II-K-04 Financial Condition – Management Levy Fund – The District had a Management Levy Fund deficit of \$28,922 at June 30, 2004.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate this deficit in order to return the District to a sound financial condition.

Response – The Management Levy Fund deficit will be eliminated through the next year's property tax levies.

Conclusion – Response accepted.

II-L-04 Financial Condition – Activity Fund – The Student Activity Account had two deficit accounts at June 30, 2004. The “interest” account is not an activity and should be allocated on a regular basis to the existing accounts.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return the accounts to sound financial conditions.

Response – We are working on this.

Conclusion – Response accepted.